

Introduced by Senator HillFebruary 21, 2014

An act to add Title 1.3E (commencing with Section 1748.70) to Part 4 of Division 3 of the Civil Code, relating to credit and debit cards.

LEGISLATIVE COUNSEL'S DIGEST

SB 1351, as introduced, Hill. Credit and debit cards.

Existing law generally provides for the regulation of credit and debit cards, including, but not limited to, limitations on the methods for offering and denying a credit card, requirements for listing the name appearing on a credit card, and restrictions on a person's liability for an unauthorized use of his or her credit or debit card.

This bill would require, starting October 1, 2015, a bank, credit union, or financial institution to issue a credit or debit card with microchip technology, as specified. The bill would also require, starting on the same date, a retailer to utilize a credit or debit card scanner that accepts a credit or debit card with either a magnetic stripe or microchip technology or any other similar technology, as specified. The bill would make legislative findings and declarations in this regard.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) Over 80 countries utilize microchip technology for credit
- 4 cards, including, but not limited to, Canada, Mexico, Brazil, and
- 5 countries throughout Europe and Asia.

1 (b) The United States is one of the few remaining countries that
2 relies almost exclusively on magnetic stripe technology for credit
3 and debit cards.

4 (c) Credit and debit cards with microchip technology are
5 preferred to magnetic stripe cards because identifying information
6 is encrypted on an embedded microchip, which is more difficult
7 to counterfeit than a magnetic stripe.

8 (d) Adoption of microchip technology in Britain has helped
9 reduce fraud from counterfeit cards by 70 percent from 2007 to
10 2012, inclusive, according to the UK Card Association.

11 (e) By contrast, breaches have more than doubled since 2007
12 at retailers in the United States, affecting more than 5,000 records,
13 according to a survey by the Ponemon Institute, research firm
14 located in Michigan.

15 (f) In 2012, United States merchants and banks suffered losses
16 of \$11.3 billion due to credit card fraud, or five cents (\$0.05) on
17 every one hundred dollars (\$100) spent, according to the Nilson
18 Report, a payment-industry newsletter based in California.

19 (g) If credit and debit cards with microchip technology were
20 used in the United States, fraud losses could be reduced by 50
21 percent, according to estimates by Aite Group, an independent
22 research and advisory firm focused on business, technology, and
23 regulatory issues and their impact on the financial services industry.

24 (h) It has been widely reported that retailers, banks, financial
25 institutions, and credit unions are planning on voluntarily adopting
26 microchip technology beginning in October 2015.

27 SEC. 2. Title 1.3E (commencing with Section 1748.70) is
28 added to Part 4 of Division 3 of the Civil Code, to read:

29
30 TITLE 1.3E. MICROCHIP CREDIT AND DEBIT CARDS

31
32 1748.70. A bank, credit union, or financial institution shall
33 issue a credit or debit card with microchip technology, as follows:

34 (a) To a new cardholder whenever issuing any credit or debit
35 card.

36 (b) To an existing cardholder only when issuing a new or
37 replacement credit or debit card in the ordinary course of business.

38 1748.75. A retailer shall utilize a credit or debit card scanner
39 that accepts a credit or debit card with either a magnetic stripe or
40 microchip technology or any other technology that is generally

- 1 accepted within the payments industry as being equally or more
- 2 secure than microchip technology for card-present fraud prevention.
- 3 1748.80. This title shall become operative on October 1, 2015.

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